

Message Text

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FM AMEMBASSY DACCA

TO SECSTATE WASHDC 1332

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E.O. 11652: N/A

TAGS: EAID, BG

SUBJECT: PL-480: REQUEST FOR OPINION ON PROPOSED BDG EXPORT OF
PEANUTS

REF: DACCA 3393

1. BDG PLANNING MINISTRY SENT US JULY 7 THE FOLLOWING LETTER FORMALLY REQUESTING A WAIVER OF PL-480 RESTRICTIONS ON EXPORT OF PEANUTS. BEGIN TEXT. I AM TO INFORM YOU THAT THE GOVERNMENT HAS OF LATE BEEN THINKING IN TERMS OF AUGMENTING FOREIGN EXCHANGE EARNINGS THROUGH EXPORT OF GROUND-NUTS. OUR ANNUAL PRODUCTION OF GROUND-NUTS IS ESTIMATED AT 25,000 TONS. DUE TO OUR LIMITED CRUSHING CAPACITY FOR OIL SEEDS, ONLY 10 PERCENT OF THE ANNUAL GROUND-NUT PRODUCTION IS CRUSHED INTO OIL AND THE REST IS PUT TO OTHER USES. THE EXPORT OF A PORTION OF OUR GROUND-NUT PRODUCTION WOULD, BESIDES INCREASING FOREIGN EXCHANGE AVAILABILITY, PROVIDE FARMER INCENTIVES BY INCREASING

THE DOMESTIC PRICE OF GROUND-NUTS. IN FACT ONE OF OUR FIRMS HAS RECEIVED AN ORDER FROM A FOREIGN FIRM TO EXPORT GROUND-NUTS. WE ARE AWARE THAT UNDER THE PROVISIONS OF PART II, SECTIONS 4A AND 4B (EXPORT LIMITATIONS) OF THE PL-480 TITLE I AGREEMENT SIGNED ON SEPTEMBER 11, 1975 THERE IS A RESTRICTION ON THE EXPORT OF OIL BEARING SEEDS FROM BANGLADESH. WE DO NOT, HOWEVER, KNOW WHETHER THE PROPOSED EXPORT OF GROUND-NUTS WOULD BE IN VIOLATION OF THE PROVISIONS OF THE PL-480 TITLE I AGREEMENT. IN CASE IT IS IN VIOLATION OF THE AGREEMENT WE WOULD REQUEST YOU TO MOVE YOUR GOVERNMENT TO GRANT WAIVER OF THE EXPORT LIMITATIONS SO THAT WE ARE ENABLED TO INCREASE OUR FOREIGN EXCHANGE EARNINGS BY EXPORTING

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GROUND-NUTS. YOU MAY KINDLY LET US KNOW YOUR GOVERNMENT'S DECISION

ON THIS AT YOUR EARLIEST CONVENIENCE. END TEXT.

2. COMMENT. WE HAVE CONFLICTING INFORMATION CONCERNING DOMESTIC OIL SEED CRUSHING CAPACITY IN BANGLADESH. AS STATED IN THE LETTER QUOTED ABOVE, LIMITED CRUSHING CAPACITY IS THE REASON THAT ONLY 10 PERCENT OF THE ANNUAL PEANUT CROP IS CRUSHED. WE UNDERSTAND FROM BANGLADESH SUGAR AND FOOD INDUSTRIES CORPORATION, HOWEVER, THAT ON A TWO OR THREE-SHIFT BASIS, THERE IS MORE THAN ENOUGH DOMESTIC CRUSHING CAPACITY TO CRUSH THE ENTIRE PEANUT CROP. IN THE FIRST PLACE, PEANUTS HAVE TRADITIONALLY BEEN CONSUMED AS WHOLE NUTS. FURTHERMORE, WE UNDERSTAND THERE ARE OTHER ECONOMIC REASONS WHY ONLY A SMALL PORTION OF THE CROP MAY ACTUALLY BE CRUSHED THIS YEAR. THE PRICE OF EDIBLE PEANUT OIL HAS FALLEN TO ONE-HALF ITS JULY, 1975 LEVEL, PARALLELLING THE DECLINE IN PEANUT PRICES, BUT LEAVING THE RATIO BETWEEN THE TWO PRICES UNCHANGED, A RATIO AT WHICH, GIVEN ADEQUATE SUPPLIES OF OTHER PREFERRED EDIBLE OILS AT EVEN LOWER PRICES, IT IS NOT PROFITABLE TO CRUSH PEANUTS.

3. WE ACCEPT THE EXPORT EARNING AND FARMER PRICE INCENTIVE ARGUMENTS, BUT DOUBT THAT DOMESTIC CRUSHING CAPACITY IS LIMITED TO THE EXTENT STATED IN THE PLANNING COMMISSION LETTER.

AS A PRACTICAL MATTER, WHETHER OR NOT THIS PROPOSED EXPORT SALE GOES THROUGH, WE BELIEVE THAT MOST OF THE PEANUT CROP WILL NOT BE CRUSHED. ACCORDINGLY, WE BELIEVE THAT, IN TERMS OF ITS EFFECT ON EDIBLE OIL SUPPLIES IN BANGLADESH, THIS SINGLE PROPOSED EXPORT SALE IS NOT SIGNIFICANT.

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